



STATE OF HAWAII  
DEPARTMENT OF HUMAN SERVICES  
P. O. Box 339  
Honolulu, Hawaii 96809-0339

April 1, 2019

TO: The Honorable Senator Donovan M. Dela Cruz, Chair  
Senate Committee on Ways and Means

FROM: Pankaj Bhanot, Director

SUBJECT: **HB 1270 HB1 SD1– RELATING TO HOSPITAL SUSTAINABILITY PROGRAM**

Hearing: Wednesday, April 3, 2019 10:20 a.m.  
Conference Room 211, State Capitol

**DEPARTMENT’S POSITION:** The Department of Human Services (DHS) strongly supports this bill which is substantively similar to our administrative bills HB 1002 and SB1228.

We appreciate the amendment to effectuate the effective dates made by the Senate Committees on Human Services and Commerce, Consumer Protection, and Health (SD1).

We respectfully request that Section 8 of the measure be amended by specifying the amount of the appropriation out of the hospital sustainability program special fund to be \$88,000,000 for each fiscal year of 2019-2020 and 2020-2021.

**PURPOSE:** The purpose of the bill is to extend the hospital sustainability fee program to 2021; update definitions of private hospital and clarifies exemptions from the hospital sustainability fee.

The Hospital Sustainability Program and the Hospital Sustainability Program Special Fund (the Special Fund) were established by Act 217, Session Laws of Hawaii (SLH) 2012, as last amended by Act 59, SLH 2017. The Special Fund receives moneys from the hospital sustainability fee, which is used to receive federal Medicaid matching funds that is used to increase reimbursements to the private hospitals with a greater benefit to those providing proportionately more services to Medicaid recipients, and to make quality improvement

payments for performance to the hospitals. These additional moneys will continue to ensure sustainability of hospitals in Hawaii as a critical part of the safety net. We respectfully recommend that \$88,000,000 be appropriated to the Hospital Sustainability Special fund. This is higher than our original recommendation. However, after careful review of our estimates and of the program, the Healthcare Association of Hawaii (HAH) and DHS agree on the higher amount. This agreement is reflective of our continued collaborative approach in working on the Sustainability programs.

In fiscal year 2012-2013, the hospitals were assessed \$40,103,774 in sustainability fees and received \$77,468,401 in additional reimbursement; fiscal year 2013-2014, they were assessed \$44,490,855 in sustainability fees and received additional reimbursements of \$81,309,367; fiscal year 2014-2015 they were assessed \$46,621,994 and received \$84,687,653 in additional reimbursements; fiscal year 2017-2018, they were assessed \$68,765,751 and received \$71,870,533 in additional reimbursements.

DHS has worked very closely with the HAH, the trade organization for hospitals, on the implementation and evolution of the program. We are in concurrence with this bill.

Without this bill, the Hospital Sustainability Program will be repealed on June 29, 2019, with funding provisions to be repealed on December 31, 2019. The loss of the sustainability funds would have a dramatic negative impact on the hospitals. This bill extends the Hospital Sustainability Program for two years past the repeal date of June 30, 2019, and extends the Special Fund for an additional six months thereafter.

Also, the bill extends exemptions from assessments for central services expenses and administrative expenses under sections 36-27(a) and 36-30(a), Hawaii Revised Statutes. These sections will be repealed on December 31, 2019. Therefore, unless the proposed amendments are adopted, the exemptions from the central service expenses and administrative expenses assessments would be lost, and the Special Fund would be subject to the central service expenses assessment for the period January 1, 2019 through December 31, 2020, that is estimated to be \$5,000,000, and the administrative expenses assessment for the same period in the amount of \$1,000,000.

Finally, the bill updates and clarifies which hospitals are subject to the provider assessment fee on the inpatient and the outpatient services. This is necessary as the prior

definition references a waiver that the DHS Med-QUEST is renewing. The portion that was referenced is not included in the renewal, so new definitions and clarifications were needed.

Thank you for the opportunity to testify on this measure.



**April 3, 2019 at 10:20 am**  
**Conference Room 211**

**Senate Committee on Ways and Means**

To: Chair Donovan M. Dela Cruz  
Vice Chair Gilbert S.C. Keith-Agaran

From: Hilton Raethel  
President and CEO  
Healthcare Association of Hawaii

Re: **Testimony in Support**  
**HB 1270 HD 1 SD 1, Relating to the Hospital Sustainability Program**

The Healthcare Association of Hawaii (HAH), established in 1939, serves as the leading voice of healthcare on behalf of 170 member organizations who represent almost every aspect of the healthcare continuum in Hawaii. Members include acute care hospitals, skilled nursing facilities, home health agencies, hospices, assisted living facilities and durable medical equipment suppliers. In addition to providing access to appropriate, affordable, high quality care to all of Hawaii's residents, our members contribute significantly to Hawaii's economy by employing over 20,000 people statewide.

Thank you for the opportunity to testimony in **strong support** of this measure. The Hospital Sustainability Program helps participating facilities offset some of the losses they incur taking care of under- and uninsured patients in Hawaii. In its simplest telling, the program works by levying a fee on participating providers. The funds generated through that fee are used to draw down additional federal dollars and are distributed back to the providers, which results in a net gain for most participants. Most importantly, no state general funds are used for this program. In fact, the Department of Human Services receives a portion of the fee levied on hospitals.

This program has been in effect since 2012 when, recognizing that Medicaid payments were below the actual costs of care in hospitals, the legislature established this program. While the program was reauthorized annually for many years, the legislature passed a two-year authorization of the program in 2017. This was evidence of how successful the program has been, especially in bringing together private and public entities to help increase access to care for Medicaid recipients.

We would provide a suggestion that the appropriation amount could be amended to read \$88 million. Thank you for the opportunity to provide supportive testimony for this successful program, which uses no state dollars and provides a real benefit to providers and patients alike.

Wednesday, April 3, 2019 at 10:20 AM  
Conference Room 211

**Senate Committee on Ways and Means**

To: Senator Donovan Dela Cruz, Chair  
Senator Gilbert Keith-Agaran

From: Michael Robinson  
Vice President, Government Relations & Community Affairs

**Re: Testimony in Support of HB 1270, HD1, SD1  
Relating To The Hospital Sustainability Program**

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My name is Michael Robinson, Vice President, Government Relations & Community Affairs at Hawai'i Pacific Health. Hawai'i Pacific Health is a not-for-profit health care system comprised of its four medical centers – Kapi'olani, Pali Momi, Straub and Wilcox and over 70 locations statewide with a mission of creating a healthier Hawai'i.

**I write in support of HB 1270, HD1, SD1** which provides funding to continue the Hospital Sustainability Program for the fiscal years 2019-2020 and 2020-2021.

Recognizing that Medicaid payments to hospitals remain below the actual costs of delivering care in an acute care setting, the Legislature created the Hospital Sustainability Program by enacting Act 217, SLH 2012, which improves Medicaid payments to hospitals. The program achieves this increase by assessing a fee on hospitals based on their patient revenue. The funds generated by those fees enable the State to obtain additional federal Medicaid funds, which are deposited in the hospital sustainability program special fund and distributed back to private hospitals. Payment back to facilities is based on the amount of a hospital's uncompensated care, which includes the costs incurred by hospitals serving under- and uninsured patients. Importantly, no state funds are contributed to the hospital sustainability program.

Because of this program, Medicaid payments approach becoming closer to the actual costs of care, thereby reducing losses and improving the financial stability of our hospital system. The continuation of the Hospital Sustainability Program through this measure will help to preserve and enhance access to health care for Medicaid recipients in Hawai'i.

Thank you for the opportunity to testify.

To: The Honorable Donovan M. Dela Cruz, Chair  
The Honorable Karl Rhoads, Vice Chair  
Members, Committee on Ways and Means

From: Paula Yoshioka, Vice President, Government Relations and External Affairs, The  
Queen's Health Systems

Date: April 1, 2019

Hrg: Senate Committee on Ways and Means Decision Making; Wednesday, April 3, 2019 at  
10:20AM in Room 211

Re: Strong support for H.B. 1270, H.D. 1, S.D. 1, Relating to the Hospital Sustainability  
Program

The Queen's Health Systems (Queen's) is a not-for-profit corporation that provides expanded health care capabilities to the people of Hawai'i and the Pacific Basin. Since the founding of the first Queen's hospital in 1859 by Queen Emma and King Kamehameha IV, it has been our mission to provide quality health care services in perpetuity for Native Hawaiians and all of the people of Hawai'i. Over the years, the organization has grown to four hospitals, 66 health care centers and labs, and more than 1,600 physicians statewide. As the preeminent health care system in Hawai'i, Queen's strives to provide superior patient care that is constantly advancing through education and research.

Queen's appreciates the opportunity to provide testimony in strong support of H.B. 1270, H.D. 1, S.D. 1, which continues the Hospital Sustainability Program for two years. It also appropriates funds out of the Hospital Sustainability Program Special Fund for fiscal years 2019-2020 and 2020-2021. For several years, hospitals have faced declining federal payments for providing uncompensated care to high need populations. The Hospital Sustainability Program assists hospitals in mitigating the losses for providing critical health care services. The program does so by issuing a fee to hospital providers in the state of Hawaii, including QHS. The funds generated by this fee are used by the state to obtain matching federal Medicaid funds, which are reallocated back to private hospitals. We concur with Healthcare Association of Hawaii's testimony and the suggested appropriated amount to be amended to read \$88 million.

In FY2018, QHS contributed to the well-being of Hawaii by giving back to the community more than \$200 million in unreimbursed health care services, education, and charitable contributions. Of that \$200 million, over \$60 million is our Medicaid Reimbursement Shortfall, the cost absorbed by Queen's when government reimbursements do not fully cover the cost of care. The Hospital Sustainability Program helps Queen's offset a portion of these costs. I ask that you support this legislation and the continuation of the Hospital Sustainability Program. Thank you for your time and attention to this important issue.

*The mission of The Queen's Health Systems is to fulfill the intent of Queen Emma and King Kamehameha IV to provide in perpetuity quality health care services to improve the well-being of Native Hawaiians and all of the people of Hawai'i.*

Testimony of  
Jonathan Ching  
Government Relations Specialist

Before:  
Senate Committee on Ways and Means  
The Honorable Donovan M. Dela Cruz, Chair  
The Honorable Gilbert S.C. Keith-Agaran, Vice Chair

April 3, 2019  
10:20 a.m.  
Conference Room 211

**Re: HB 1270 HD1, SD1 Relating to the Hospital Sustainability Program**

Chair Dela Cruz, Vice Chair Keith-Agaran, and committee members, thank you for this opportunity to provide testimony on HB 1270 HD1, SD1 which extends the state's Hospital Sustainability Program for two years.

**Kaiser Permanente Hawai'i STRONGLY SUPPORTS HB 1270, HD1, SD1.**

Kaiser Permanente Hawai'i is Hawai'i's largest integrated health system that provides care and coverage for nearly 255,000 members. Each day, more than 4,500 dedicated employees and more than 550 Hawai'i Permanente Medical Group physicians come to work at Kaiser Permanente Hawai'i to care for our members at Moanalua Medical Center and our 27 medical clinics, providing high-quality care for our members and delivering on our commitment to improve the health of the 1.4 million people living in the communities we serve.

Extending the state's Hospital Sustainability Program for two years will allow hospitals in the state to continue to provide critical health care services despite Medicaid uncompensated care losses.

Established in 2012 as Act 217, Session Laws of Hawai'i, the Hospital Sustainability Program, created a fund to pool monies from private hospitals through the assessment of a provider tax, which in turn was used as a basis to obtain federal Medicaid matching funds. The aggregate state and federal funds would then be distributed to the private hospitals as supplemental payments to reduce any Medicaid uncompensated care losses.

Kaiser Permanente Hawai'i supports HB 1270, HD1, SD1 because it will continue to assist providing access to high-quality health care for Medicaid recipients in Hawai'i.

Mahalo for the opportunity to testify on this important measure.



**Testimony to the Senate Committee on Ways and Means  
Wednesday, April 3, 2019 at 10:20 A.M.  
Conference Room 211, State Capitol**

**RE: HB 1270 HD1 SD1 RELATING TO THE HOSPITAL SUSTAINABILITY PROGRAM.**

Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") is in **support** of HB 1270 HD1 SD1, which extends the hospital sustainability program for two years, clarifies the exemptions from the hospital sustainability fee and appropriates \$75,000,000 out of the hospital sustainability special fund for fiscal years 2019-2020 and 2020-2021.

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 2,000+ businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

This bill helps the state and Hawaii hospitals utilize this program to leverage much needed federal dollars. A sustainable hospital network and health care industry is vital to the health of our employees, businesses and overall quality of life.

Thank you for the opportunity to testify.





April 1, 2019

The Honorable Donovan M. Dela Cruz, Chair  
The Honorable Gilbert S.C. Keith-Agaran, Vice Chair  
Senate Committee on Ways and Means

Re: HB 1270 HD1 SD1 – Relating to the Hospital Sustainability Program

Dear Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of the Committee:

The Hawaii Medical Service Association (HMSA) appreciates the opportunity to testify on HB 1270, HD1, SD1, extends the hospital sustainability program for two years. It clarifies exemptions from the hospital sustainability fee and increases the allowable aggregate fees to be charged. It appropriates funds out of the hospital sustainability special fund for fiscal years 2019-2020 and 2020-2021.

HMSA supports this program which allows the state to draw down federal funding to benefit the health care system in Hawaii. The Hospital Sustainability Program levies a fee on participating facilities which is then matched by federal Medicaid funds. The combined amount is reimbursed to private hospitals with a greater benefit going to facilities that provide proportionately more services to Medicaid recipients.

Thank you for the opportunity to provide testimony on this measure.

Sincerely,

Pono Chong  
Vice President, Government Relations